

ICI Pension Fund

Actuarial report as at
31 March 2016

18 July 2016



Summary

The main results of this actuarial report and those from the latest actuarial valuation are as follows:

- Technical provisions funding level as at 31 March 2016 is estimated to have increased to 93.4%



- Surplus of assets relative to technical provisions is estimated to have changed to a deficit of £661 million



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Throughout this report the following terms are used:

Fund

ICI Pension Fund

Trustee

ICI Pensions Trustee Limited

Company

Imperial Chemical Industries Limited

Trust Deed & Rules

The Fund's Definitive Deed and Rules dated 6 April 2006 (as subsequently amended)

Introduction

Scope

This is the actuarial report in respect of the ICI Pension Fund as at 31 March 2016 and I have prepared it for the Trustee. As noted in the Limitations section of this report, others may not rely on it.

The actuarial report is required under Part 3 of the Pensions Act 2004 in years when a full actuarial valuation is not conducted; a copy of this report must be provided to the Company within seven days of its receipt.

The main purpose of the actuarial report is to provide an approximate update of the development in the financial position of the Fund relative to its statutory funding objective since the latest actuarial valuation. It should be considered in conjunction with the report on the actuarial valuation as at 31 March 2014 and the actuarial report as at 31 March 2015.

This report and the work involved in preparing it are within the scope of and comply with the Financial Reporting Council's Technical Actuarial Standards regarding pensions, reporting actuarial information, data and modelling.

Next steps

The Trustee is required to disclose to members, in a summary funding statement, certain outcomes of this actuarial valuation within a reasonable period. Members may also request a copy of this report.

The financial position of the Fund and the level of Company contributions to be paid will be reviewed at the next actuarial valuation, which is expected to be carried out as at 31 March 2017.



Graham McLean
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18 July 2016

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Limitations

Third parties

This report has been prepared for the Trustee to provide an approximate update as to the financial position of the Fund and to satisfy the statutory requirements referred to in this report. It has not been prepared for any other purpose. As such, it should not be used or relied upon by any other person for any other purpose, including, without limitation, by individual members of the Fund for individual investment or other financial decisions, and those persons should take their own professional advice on such investment or financial decisions. Neither I nor Willis Towers Watson (Towers Watson Limited) accepts any responsibility for any consequences arising from a third party relying on this report.

Except with the prior written consent of Willis Towers Watson, the recipient may not reproduce, distribute or communicate (in whole or in part) this report to any other person other than to meet any statutory requirements.

Data supplied

The Trustee bears the primary responsibility for the accuracy of the information provided, but will, in turn, have relied on others for the maintenance of accurate data, including the Company who must provide and update certain membership information. Even so it is the Trustee's responsibility to ensure the adequacy of these arrangements. I have taken reasonable steps to satisfy myself that the data provided is of adequate quality for the purposes of the investigation, including carrying out basic tests to detect obvious inconsistencies. These checks have given me no reason to doubt the correctness of the information supplied. It is not possible, however, for me to confirm that the detailed information provided, including that in respect of individual members and the asset details, is correct.

This report has been based on data available to me as at the effective date of the actuarial report, 31 March 2016, and takes no account of developments after that date except where explicitly stated otherwise.

Methodology

I have carried out full liability valuation calculations to estimate the updated financial position of the Fund as at 31 March 2016. These calculations are based on the benefits set out in the Trust Deed & Rules, using an approach consistent with that adopted for the actuarial valuation as at 31 March 2014.

Funding

Statutory funding objective

The Trustee's only formal funding objective is the statutory funding objective under the Pensions Act 2004, which is to have sufficient and appropriate assets to cover the Fund's technical provisions.

The method and assumptions for calculating the technical provisions as at 31 March 2014 were agreed between the Trustee and Company and documented in the Statement of Funding Principles dated 17 July 2015. The table below summarises the main financial assumptions used to estimate the Fund's technical provisions for this actuarial report and the latest actuarial valuation.

Financial assumptions	31 March 2016	31 March 2014
	% pa	% pa
Real (relative to RPI price inflation) discount rate	Real gilt curve**	Real gilt curve*
RPI price inflation	2.95	3.45
CPI price inflation	1.95	2.45
Pensionable earnings increases	3.95	4.45
Statutory deferred pension revaluation	1.95	2.45
Pension increases:		
- RPI minimum 0% pa, maximum 5% pa	3.05	3.35
- CPI minimum 0% pa, maximum 3% pa	1.90	2.25
- RPI minimum 3% pa, maximum 5% pa	3.50	3.75

* With the exception of benefits covered by the bulk annuity policies, an addition of 0.8% in the first year and 0.6% in years 2 to 6 (i.e. until 31 March 2020) are included within the discount rate.

** With the exception of benefits covered by the bulk annuity policies, an addition of 0.55% in the first 4 years (i.e. until 31 March 2020) is included within the discount rate.

I regard the financial assumptions adopted for this actuarial report as consistent with those used for determining the Fund's technical provisions at 31 March 2014, adjusted for changes in market conditions, and in my view they are appropriate for the purpose of this actuarial report.

The demographic assumptions used for the purposes of this update are consistent with those adopted for the actuarial valuation as at 31 March 2014, as set out in the Fund's Statement of Funding Principles dated 17 July 2015.

It should be noted that I have set the assumptions as at 31 March 2016 without input from the Trustee or the Company, which is consistent with the relevant statutory requirements. If the Trustee and Company were to consider all the assumptions in detail as part of a formal valuation process it is likely that some of these assumptions would change.

There is no allowance in the assumptions underlying the technical provisions for any future discretionary increases to benefits.

The table on the next page compares the estimated technical provisions as at the effective date of the actuarial report with the market value of the Fund's assets and the corresponding figures from the latest actuarial valuation.

Valuation statement	31 March 2016 £m	31 March 2014 £m
Amount required to provide for the Fund's liabilities in respect of:		
Defined benefits	9,980	9,271
Collateral reserve	26	23
AVCs and other money purchase benefits	2	3
Technical provisions	10,008	9,297
Market value of assets*	9,347	8,447
Past service (deficit)/surplus (technical provisions less assets)	(661)	(850)
Funding level (assets ÷ technical provisions)	93.4%	90.9%

* includes £5,546 million at 31 March 2016 (£3,469 million as at 31 March 2014) in respect of the value of bulk annuity policies (using the method and assumptions to assess the value of the corresponding liabilities covered by the annuity policies to include in the technical provisions).

The technical provisions do not include allowance for the potential additional costs that could result from meeting GMP equalisation requirements.

Using the assumptions underlying the calculation of the technical provisions as at 31 March 2016, the value of the contributions under the current recovery plan payable after that date is £608 million. This is £53 million less than the estimated shortfall of £661 million as at 31 March 2016

Developments since the latest valuation

The funding level is estimated to have increased to 93.4% from 90.9% at the previous valuation. The main factors contributing to this change are the aggregate deficit contributions of £328.5 million paid since 31 March 2014 and the actual pension increases granted in November 2014 and November 2015 being less than assumed.

Additional information

Data provided

Membership data

The Trustee's membership information as at 31 March 2016, which was supplied to us by the Fund's administrator, is summarised below together, for ease of reference, with a summary of the membership data provided for the actuarial valuation as at 31 March 2014. The average ages provided are weighted by pensionable earnings for active members and by pension for other members.

Active members	31 March 2016			31 March 2014		
	Number	Pensionable earnings (£m pa)	Average age	Number	Pensionable earnings (£m pa)	Average age
Holden	70	2.3	53	91	2.8	52
ICI	232	12.2	54	325	17.3	52
Total	302	14.5	54	416	20.1	52

Deferred members	31 March 2016			31 March 2014		
	Number	Pension (£m pa)	Average age	Number	Pension (£m pa)	Average age
Britag	36	0.1	56	51	0.2	55
Camtex	32	<0.1	59	49	0.1	59
Holden	124	0.6	55	138	0.6	55
ICI	8,288	42.7	54	9,331	47.1	53
SAI	221	0.9	56	251	1.1	56
Total	8,701	44.3	54	9,820	49.1	53

Pensioners	31 March 2016			31 March 2014		
	Number	Pension (£m pa)	Average age	Number	Pension (£m pa)	Average age
Britag	216	1.4	80	233	1.4	79
Camtex	206	0.3	76	235	0.4	76
Holden	196	1.7	72	179	1.4	70
ICI	28,933	372.4	76	31,013	385.3	75
SAI	424	3.6	77	444	3.6	76
Total	29,975	379.4	76	32,104	392.1	75

Widow(er)s	31 March 2016			31 March 2014		
	Number	Pension (£m pa)	Average age	Number	Pension (£m pa)	Average age
Britag	86	0.4	81	94	0.4	80
Camtex	74	0.1	81	91	0.1	80
Holden	59	0.5	80	58	0.4	79
ICI	13,955	96.1	81	14,837	95.2	80
SAI	191	1.2	81	203	1.3	80
Total	14,365	98.3	81	15,283	97.4	80

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ICI Pension Fund

Notes on data tables:

- In addition, as at 31 March 2016 there were 75 children's pensions in payment, totalling £0.3 million. The corresponding figures as at 31 March 2014 were 113 children with pensions totalling £0.4 million.
- The data provided for this review excluded 90 deaths prior to the valuation date where entitlement to dependants' benefits had not been established when extracting information from the administrator's database. For the purpose of this review, allowance has been made for these deaths to give rise to dependants' benefits in line with the family statistics set out in the statement of funding principles. This is equivalent to additional annual dependants' pensions of £0.3 million as at 31 March 2016, with an underlying average age for these dependants of 82.

Asset information

The asset value is taken from accounts supplied as at 31 March 2016 that showed that the market value of the Fund's assets was £9,347 million. This includes Additional Voluntary Contributions (AVCs) which amounted to £2 million.

Glossary

This glossary describes briefly the terminology of the regime for funding defined benefit pension schemes as introduced by the Pensions Act 2004.

Actuarial report: A report prepared by the Scheme Actuary in years when an actuarial valuation is not carried out that provides an update on developments affecting the Fund's assets and technical provisions over the year.

Actuarial valuation: A report prepared by the Scheme Actuary that includes the results of the calculation of the technical provisions based on the assumptions specified in the Statement of Funding Principles and assesses whether the assets are sufficient to meet the statutory funding target.

Demographic assumptions: Assumptions relating to social statistics for Fund members, which can affect the form, level or timing of benefits members or their dependants receive. This can include levels of mortality experienced by the Fund and the proportion of members electing to exercise benefit options.

Discount rates: Assumptions used to place a capital value at the valuation date on projected future benefit cash flows from the Fund. The lower the discount rate the higher the resulting capital value.

Financial assumptions: Assumptions relating to future economic factors which will affect the funding position of the Fund, such as inflation and investment returns.

Funding target/objective: An objective to have a particular level of assets relative to the accrued liabilities of the Fund. See also statutory funding objective.

Scheme Actuary: The individual actuary appointed (under the Pensions Act 1995) by the Trustee to perform certain statutory duties for the Fund.

Statement of Funding Principles (SFP): The SFP sets out the trustees' policy for ensuring that the statutory funding objective and any other funding objectives are met and, in particular, the assumptions for calculating the technical provisions at the effective date of the actuarial valuation. The trustees are responsible for preparing and maintaining this document, taking into account the advice of the Scheme Actuary and in many cases seeking the agreement of the employer.

Statement of Investment Principles (SIP): The SIP sets out the trustees' policy for investing the Fund's assets. The trustees are responsible for preparing and maintaining this document, taking into account written investment advice from the appointed investment advisor and consulting the employer before any changes are made.

Statutory funding objective: To have sufficient and appropriate assets to cover the Fund's technical provisions.

Summary funding statement: An update sent to members following the completion of each actuarial valuation or actuarial report informing them of the assessed financial position of the Fund.

Technical provisions: The amount of assets required to make provision for the accrued liabilities of the scheme. The technical provisions are calculated using the method and assumptions set out in the Statement of Funding Principles.